Growth Strategies in Uncertain Times:

Building and Maintaining Lasting Client Relationships in Professional Services Organizations

BNA

KENNEDY INFORMATION

IOMA

Compliments of

Microsoft®

Table of Contents

Introduction

Growth Strategies in Uncertain Times:
Building and Maintaining Lasting Client Relationships in Professional Services Organizations

Compliments of
Microsoft

Conventional wisdom says that professional services are resilient to changes in market conditions. In good economic times, professionals assist their clients with growth: introducing new products, building systems and infrastructure, and planning for expansion. In weaker periods, they help these same clients with cost management and risk mitigation by narrowing product focus, shedding non-core assets, and litigating problems that were previously masked by stronger revenues.

However, the reality is that clients are becoming increasingly stingy with discretionary dollars spent on outside professionals. The reasons are numerous:

- The downturn experienced over the past several years has put more focus on how companies spend their money, even as revenue growth returns.
- The pendulum swings between growth strategies and cost cutting have narrowed. Risk has taken center stage, and clients are less willing to take chances with their money.
- Clients have become more sophisticated in how they deal with their attorneys and consultants. Greater bench strength is being built up in-house; many former consultants and CPAs have gone into industry, so that professional services are increasingly being purchased by attorneys, consultants, and accountants formerly in private practice.
- Competition among professional services organizations (PSOs) has become intense. Firms that previously didn't want to "dirty their hands" with the tasks of selling now are employing aggressive marketing campaigns.

Old style relationship management is certainly not dead, but the business development landscape is not the same as it used to be. The basic blocking and tackling of marketing has moved well beyond the country club. To stand out and build business in this new environment, there are certain key attributes you must build across your firm.

In this paper we will discuss how to grow your business, based on the research and insights of accountants, lawyers, and consultants themselves, *to help you think strategically about building and deepening core client relationships.*

It's About Service

One bit of conventional wisdom still rings true. Repeat business from a satisfied client is almost always easier to acquire and delivers higher margins than that from new clients. Certainly, firms must continually establish new business relationships to expand the client base. However, the majority of clients that are loyal to a PSO will, in the end, result in greater profitability for the firm and facilitate a higher quality of work performed through deeper understanding of the client's business.

So, what are the keys to creating loyal clients? Attorneys and consultants are trained in the rigors of their profession, in knowing the details, in dealing with leading-edge ideas and concepts. Too often, however, we think that the smarts we deliver to our customers are alone sufficient to make them happy. But think about your own situation for a minute. Just because your plumber knows everything there is to know about your plumbing system doesn't mean that you will give to him your abiding loyalty. What if he charged you for parts and labor that weren't in the estimate, even if they were needed to do the job? What happens when you stay home from work to meet him for a repair job and he doesn't show up, thus impacting your very tight schedule? In fact, David Maister,[1] author of numerous books on professional services, says that *in addition to the quality of work, there must a quality of service.* Clients typically can short list a few prospective providers based on technical expertise. However, the decision to hire one over the other usually comes down to issues of trust and confidence. And repeat business is even more contingent on these qualities.

Unfortunately, there are many talented and bright people in law, consulting and accounting who may think that quality work without quality service is sufficient. Indeed, it may be good enough to secure the first piece of business with a client; however, it will most likely not be enough to obtain any follow on work.

How do you help focus attention on service quality in addition to work quality? Jeffrey Carr, General Counsel at FMC Technologies[2], offers this advice:

1. **Reread your promotional materials** and create internal controls and momentum for cultural change to ensure that the firm "walks" the marketing "talk."

2. **Align the firm's objectives with those of the client.** Create and propose innovative fee arrangements that will increase firm profits when the client's objective is achieved at the lowest possible cost. Think about risk/reward structures where the firm bears some risk but can earn "pay for performance" bonuses.

3. **Designate one customer-care partner to serve as a client relationship manager.** Don't charge time to this function, but make compensation partially reflect client satisfaction.

4. **Don't cross-sell unless you make a value proposition** where there are true cost reductions and performance gains that accrue to the mutual benefit of the firm and its clients.

5. **Eliminate firm and individual incentives to simply bill more time and pass through more costs.** Instead, focus on profitability as opposed to revenue and realization rates. Use metrics and customer feedback to find ways to deliver client solutions, and aggressively weed out low-performing professional and support staff.

6. **Know your cost of service and eliminate backroom inefficiencies.** Don't ask the client to pay for the same work product twice. Instead, leverage your firm's collective knowledge to enhance the value/cost equation for the client. (There are numerous technology solutions, including knowledge management systems, which can address these challenges.)

7. **Find ways to communicate efficiently, cost-effectively, and in a format that is user-friendly, as opposed to firm-friendly.** For example, a law firm's extranet provides little, if any, value to clients. Push information to your clients' extranets and grant client search engines access to the firm's previous work product.

Find and Keep the Right Clients

It's more important than ever to you as a PSO partner to find and keep the best possible clients, the ones that bring business into the firm, unbegrudgingly pay your rates, and offer opportunities for expansion and diversification. But how do you identify the best clients for your practice? How can you make this list dovetail with the firm's goals and strategies? And what do you do with clients that are less than the best…sometimes much less?

There are no absolute answers to these questions. Partner goals and firm goals are constantly revised in a market in flux. But to help you and your fellow owners think through these questions, we offer the following observations and resources on how to identify, evaluate, and nurture the status of your clients.

How to assess your clients. Before you can decide who the best clients are and how to focus your resources and efforts on them, you need to know how to define a "good" client.

A quick approach is suggested by Michelle Golden of The Growth Partnership,[3] who advocates a partner-by-partner evaluation of each client by both objective and subjective criteria. These include:

Objective criteria:
- Does the client have the potential to produce at least a certain amount of dollars in revenue to the firm?
- Does the client provide high-quality referrals?
- Does the client accept the firm's fee structure?
- How stable/profitable is the client?
- What are the current fees for the client?
- Does the client pay on time and in full?
- Can the client's work be leveraged?

Subjective criteria:
- Does the client accept and use the firm's advice?
- Does the client allow for the firm teaching its more junior professionals?
- What is the client's reputation?
- Does the client call your firm first?
- Is the client honest and ethical?
- What is the level of the client's business sophistication?
- What is the potential for client loyalty or a long-term relationship?
- Is the client organized?

While each partner will want to rank his or her own clients by these criteria, we suggest you and your fellow owners agree on the five most important criteria, a combination of both subjective and objective factors. These will enable you to define your "good clients."

Keeping the best of the best. After this ranking process, determine how to further cement your relationships with your best clients. Although new opportunities have arisen in recent months as business has shifted among PSO firms, this also means your clients may be shopping around. You must continue to identify and respond to their needs. Refer back to the loyalty-building steps identified above.

Think Offensively: build multiple reasons for clients to do business with you

A satisfied client is one that feels well taken care of and important to your business. Practice the basics of good relationship marketing to achieve this. The following tactics can be used to accomplish this and are suggested by Sally Schmidt, of Schmidt Marketing:[4]

1. **Stay in constant touch.** Scheduling regular visits to a client's place of business may be the most effective way to do this. The benefits: you show an interest in and learn about the client's business and get to know people you might never meet otherwise. For regular communication with smaller clients, use e-mail: it is quick, informal, and recipients can reply to it at their leisure. Periodic "check in" phone calls are also valuable.

2. **Respond immediately when clients change their in-house decision makers or contacts.** Introduce yourself to new people as soon as possible, even if just by telephone. Fill them in about your firm's role and past relationship with the company, ask what information would be helpful to them, and inquire how they would like to work with you. (See also next section on what to do when one of your partners leaves the firm.)

3. **Find ways to impart substantive information.** Offer an in-house seminar or send alerts to keep clients up to date on issues of interest. Here, too, e-mail is effective, because it is fast and can be forwarded.

4. **Nurture relationships among people at your firm and those at your clients' places of business.** The more relationships you develop, the tighter the bond between the client and the firm. If staff or professionals leave, enlist all remaining staff to refresh their own relationships with the clients. Put together an organizational chart or book of bios on your firm's team and distribute it to your clients.

5. **Ask clients for input on how things are going during formal and regularly scheduled meetings or phone calls.** Discuss your relationship, put together regular status reports on the firm's results, and develop an annual report that outlines the firm's efforts on behalf of the client.

6. **Add value to your relationships by looking for ways you can help the client outside of regular engagements.** For example, introduce your client to a potential customer or secure a spot for the client on a high-profile board.

7. **Focus on the long-term potential of your relationships.** Even if clients are not currently sending you business, continue to call them, take them to lunch, and invite them to your firm's events and parties. Over the years, these clients will remember those who didn't distance themselves in difficult times.

To help you manage these activities consider setting up a system that either prompts you to reach out to your clients or automates the process. This can be as simple as creating a spreadsheet with your key clients in the columns and rows of different "touchpoints" such as sending an article, meeting the client at his office, obtaining feedback at the end of an assignment, and so on. More sophisticated client relationship management (CRM) software can also be implemented, which documents these activities, reminds you of scheduled future activities, and more. This saves time and leverages the work of everyone who has contact with a particular client. See page eight for more discussion on CRM systems.

Think Defensively: what to do when a partner leaves the firm

Few partners or owners want to think about this worst-case scenario, but planning is crucial – especially for midsize firms. Unfortunately, there is little that firms can do to discourage clients from defecting with the partner who represents them.

The best approach is to diversify the responsibility for clients at the outset of the relationship. The managing partner and a number of key partners should meet with new clients at their places of business the minute they come on board, to get to know them and their industries. Then, together, this team can look for ways to cross-sell other practices (where there is true value addition).

Short of this, the tactics below – courtesy of David Folk of Folk & Associates[5] – can help your firm rebound when a partner leaves:

1. **Review all the affected clients.** Prioritize your list: the clients you have a good chance of keeping, those you know will go with the departing partner, and those who may not be worth the effort to retain (i.e., your firm will continue to work with these clients as time and your cost/benefit analysis permits).

2. **Involve a senior partner immediately to retain the keepers.** Whoever takes on the role will need information on the clients' current work, status of the work, and your plan for servicing this work without the departing partner. Do this quickly to keep these clients. Ideally, the partner, client services director, or other person designated as the lead should contact clients within 24 hours of learning of the departing professional's decision to leave.

3. **Pair up the senior partner with a new service team for each of the keepers, and go see the clients at their offices.** Tell them how much you value their business and assure them that the departure of the partner won't cause a ripple in their pond. Don't speak ill of the departing partner – that will only make the clients doubt your firm; they may well wonder, "Why are you telling me this now?"

4. **Assure the clients that the firm will absorb the costs** of getting the new service team up to speed on their work.

5. **Present an action plan for keeping each client's work moving forward,** and follow it up regularly to demonstrate progress. Confirm that you are meeting the client's expectations early and often.

6. **Treat all clients with dignity and respect** – even those that are going to leave and those that you decide not to pursue. Let them know how much you have valued their business and that they are always welcome to return to you. If they are dissatisfied with their new representation, they may come back in six months to a year. If you lose them, schedule a follow-up call in a year to inquire how they are doing.

7. **Provide an incentive for your new service teams to continue wooing keeper clients and to enhance their loyalty to the firm.** You have to get everyone into the game if you want to keep clients.

How Technology Can Help

It is critical to invest in and use information technology that cements the client relationship[6]. Firms that acquire and deploy information technology solely for internal efficiency and knowledge sharing are missing a great opportunity to strengthen structural bonds with core clients. Rather than viewing these clients as eventual beneficiaries of pass-through benefits derived from technology investments, position them as key stakeholders who help craft the technology strategy for your firm. This shared strategy can strengthen structural bonds and bolster the specific experiences with your firm of the value-conscious client. Here we examine three interrelated tools to help PSOs build and maintain a loyal client base.

Customer Relationship Management

All firms should implement some sort of customer relationship management tool to help enhance service delivery to clients and improve account visibility across the firm. A CRM system is designed to manage the business development and client service delivery for a firm. CRM tools come in all shapes and sizes, from simple stand-alone packages to sophisticated enterprise modules integrated into a company's enterprise software system.

CRM tools have become increasingly accessible, even to smaller organizations. Implementing and maintaining a healthy CRM system can have tremendous payback, if users are willing to make the right investments and match systems and strategies. According to Darrell Rigby, Frederick Reichheld, and Phil Schefter in a *Harvard Business Review* article,[7] there are five imperatives of CRM success:

- Acquiring the right client
- Crafting the right value proposition
- Instituting the best processes
- Motivating employees
- Learning to retain clients

While this paper has addressed each of these imperatives, Table 1 below shows how CRM technology can help.

Table 1

Acquiring the Right Client	Crafting the Right Value Proposition	Instituting the Best Processes	Motivating Employees	Learning to Retain Clients
– Analyze client revenue and cost data to identify current and future high-value clients	– Capture relevant product and service behavior data – Create new distribution channels – Develop new pricing models	– Process transactions faster – Provide better information to the front line – Manage logistics better – Catalyze collaborative commerce	– Align incentives and metrics – Deploy knowledge management systems	– Track client-defection and retention levels – Track client-service satisfaction levels

Source: *Harvard Business Review*

Two other technology tools that PSOs can use are often integrated into the firm's overall CRM system. While they can be simple, stand-alone tools, they are natural fits with more comprehensive CRM systems and are often found as components within them.

Knowledge Management Systems

For PSOs, the firm's value is based on its core expertise and how effectively it manages that expertise. Various technology solutions are available to help firms manage their knowledge management systems (KM), including content management systems, best practices databases, and intranet portals. As with the dashboards, these systems can be as simple or as complex as the organization sees fit. The systems are designed to make sure that the value and expertise that is located in one part of the firm is known by and accessible to other parts of the firm. In partnerships where incentives are narrowly based on rainmaking, these systems are at a disadvantage. Consequently, to be successful, KM must be connected to the core business principles of the company and – more importantly – the company must create an organizational culture that promotes knowledge sharing.

Conclusion

Our research shows that professional services organizations such as law firms, consultancies and accounting partnerships grow their client base primarily through word-of-mouth. While brand building and general marketing help establish a presence in the market, it is the recommendations of current and former clients that most often guide new business to the firm. It is imperative that PSOs, therefore, deliver the highest levels of service, above and beyond deep tactical advice and related work products. Satisfied clients are not only less expensive to retain but they are your best salespeople. (On average, it costs seven times as much to attract a new customer than it does to keep a current one.) The key is to move clients from prospects to advocates.

We have shown in this paper how to build loyalty, how to identify and focus on the right clients, what to do when a good client may defect, and how technology can help you achieve your client development and retention strategies. In this age of intense competition and finicky customers, building and nurturing a service orientation are of equal importance to the quality of work the firm delivers.

About BNA

BNA is the foremost publisher of print and electronic news, analysis, and reference products, providing intensive coverage of legal and regulatory developments for decision makers in business and government. BNA produces more than 200 news and information services, including the highly respected Daily Report for Executives and Daily Tax Report.

Headquartered in Washington, DC since 1929, BNA is an independent publisher and the oldest wholly employee-owned company in the United States.

BNA's subsidiary companies – Kennedy Information and IOMA – offer customers the same high-end coverage in ways tailored to their specific needs – using different publishing technologies, price points, and delivery mechanisms to help them do their jobs better.

---

[1] See David Maister, *Managing the Professional Services Firm*, New York, Free Press, 1997.
[2] Jeffrey Carr, from a presentation at the 2004 Marketing Partner Forum in Orlando, FL.
[3] Michelle Golden of the Growth Partnership, Golden Marketing Resources, St. Louis, MO.
[4] Sally Schmidt, President, Schmidt Marketing, Burnsville, MN.
[5] as found in The Best of LawMarketing on the LawMarketing Portal.
[6] *Law Practice Management* magazine, published by the ABA LawPracticeManagement Section.
[7] Darrell Rigby, Frederick Reichheld, and Phil Schefter, "Avoid the Four Perils of CRM," *Harvard Business Review*.